

A Note Regarding COVID-19

As we publish this report, the global pandemic continues to impact day-to-day life, the economy, and commercial real estate. The extent, length, and severity of this pandemic is unknown and continues to evolve at a rapid pace. The scale of the impact and its timing varies between locations. To better understand trends and emerging adjustments, please subscribe to Colliers' [COVID-19 Knowledge Leader](#) page for resources and recent updates.

Denver Industrial Proves Resilient

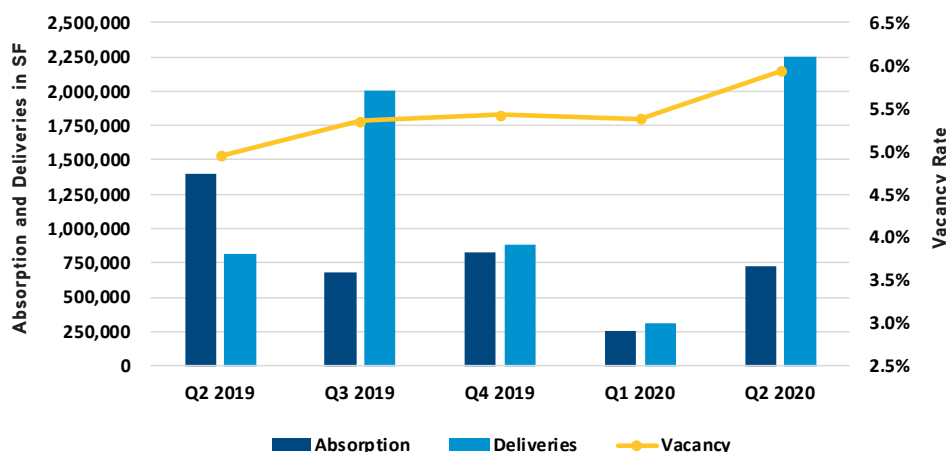
Market Overview

The pandemic and accompanying "stay-at-home" economy have changed the way that consumers commute, work, and shop. While no segment is completely immune to a global recession, the industrial sector continues to outperform, and in some instances benefit, primarily due to the accelerated adoption of e-commerce.

While positive cases in Colorado have held steady at the time of writing, over 30 states are witnessing a rise in cases that may force a stall in statewide reopening's. While still affected, industrial is afforded some shelter from this due to many industrial tenants providing "essential" duties and industrial spaces providing a relatively low employee to square footage ratio, making social distancing easier to achieve.

Although the duration and severity of the pandemic continues to evolve, the economic impact is apparent and widespread. Nevertheless, recent indicators related to industrial, space such as durable goods orders and the ISM manufacturing index, have provided bright spots that suggest the recovery may be "V-shaped" and not "U-Shaped" as originally thought.

Absorption, Deliveries & Vacancy



Market Indicators

Relative to prior period	Q2 2020	Projected Q3 2020
Vacancy	↑	↑
Net Absorption	+	+
Deliveries	↑	↓
Rental Rate	↑	↑

*Arrows compare current quarter to the previous quarter's historically adjusted figures

Denver Metro Summary Statistics

	Q2 2019	Q2 2020
Vacancy Rate	5.0%	5.9%
Absorption YTD	2,789,281	890,208
Deliveries YTD	3,718,186	2,534,670
Under Construction	6,072,556	7,799,901
Asking Rents/SF	\$8.92	\$10.01
Total SF	274,888,418	280,408,056

*Source: CoStar

Increasing E-Commerce Adoption

E-commerce related industrial continues to shape the market as online shopping during the pandemic has exceeded 2019 holiday season levels. Furthermore, e-commerce warehousing requires over three times the space of a traditional storefront due to larger average inventories and fulfillment needs. The increasing utilization of e-commerce across all consumer types has translated to additional demand for last-mile distribution, bulk warehousing, cold storage, and data warehousing facilities. Denver's unique geographical location continues to attract large companies as a key distribution hub, as exemplified by Sprouts and Ceva Freight each leasing around 100,000 square feet during Q2.

Retooled Supply Chains

The closing of ports in both China and the United States exposed an ongoing risk for companies reliant on international shipments. While the initial run on toilet paper and sanitizer has largely been addressed, heightened supply chain risks have caused companies to reassess ideal inventory levels and continuity plans. To address this, companies are looking to evolve their global supply chain strategies through diversifying manufacturing with near-adjacent locations and reshoring, producing additional demand for industrial space.

Vacancy Rates Climb due to Heightened Deliveries

Vacancy rates grew by 50 basis points to 5.9% in the second quarter as Metro Denver's nearly 2.3 million SF of new space was delivered. With 7.8 million SF still under construction and over 6 million total SF expected to be delivered this year, industrial vacancy rates are expected to increase by an additional 40-65 basis points by year end. Construction starts remained robust in Q2, with over an additional 2 million SF now underway.

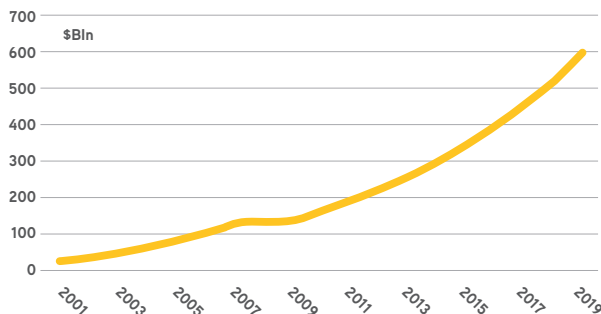
Lease Rates

NNN leases rates increased to \$13.10/SF for flex space and \$8.37/SF for traditional space. In total, lease rates increased by 3.3% to an overall average rate of \$10.01/SF NNN, reflecting continued demand driven by e-commerce and logistics. Lease rates are expected to continue to increase, albeit at a subdued pace, in response to Denver's aforementioned drivers of a unique geographic location, increased e-commerce, retooled supply lines, and net in-migration.

Absorption

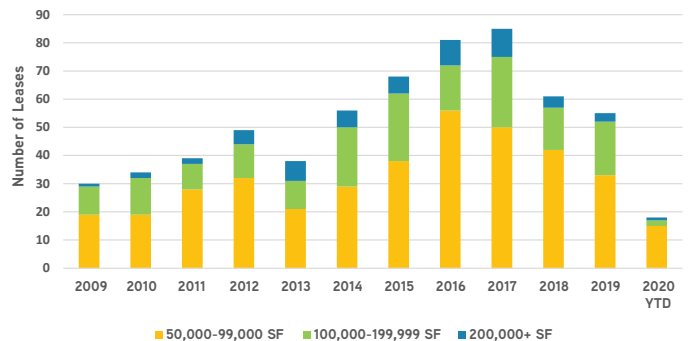
Metro Denver's historic 15 quarter run of 425,000 SF or greater absorption came to an end in Q1 2020 due to the pandemic and ensuing economic recession. Net absorption catapulted in Q2 with 723,117 square feet absorbed, with notable leases signed by Amazon (151,668 SF), Sprouts (133,848 SF), and Ceva Freight (94,813 SF).

U.S. E-Commerce Sales



Source: U.S. Census Bureau

Annual Lease Deals by Size



Source: Colliers Analytics

NOTABLE TRANSACTIONS Q2 2020

DENVER INDUSTRIAL MARKET

Portfolio Sales Activity

PROPERTY ADDRESS	PORTFOLIO	SUBMARKET	SALES PRICE	SIZE SF	PRICE PSF	BUYER	SELLER
Multiple Properties	CSM Portfolio	Multiple Submarkets	\$93,570,000	1,289,000	\$73	Blackstone	CSM Equities
7173 & 7245 S. Havana St.	Rampart Center	Southeast	\$14,500,000	99,600	\$146	Libitzky Property Cos.	LBA Realty

Individual Sales Activity

PROPERTY ADDRESS	PROPERTY	SUBMARKET	SALES PRICE	SIZE SF	PRICE PSF	BUYER	SELLER
3980 Central Park Blvd.	Enterprise Business Center - Bldg 4	East I-70-Montbello	\$85,700,000	647,483	\$132	Zurich Asset Management	United Properties
5000 Lima St.	Montbello Industrial Park	Northeast	\$12,250,000	151,929	\$81	Black Creek Group	Exdo Properties
15800 E. 40th Ave	15800 E. 40th	East I-70-Montbello	\$7,125,000	75,000	\$95	Dalfen Industrial	Serta International

Industrial – Denver - Leasing Activity

PROPERTY ADDRESS	SUBMARKET	LEASED SF	LEASE TYPE	TENANT NAME
900 E. 128th Ave.	North	151,668	New	Amazon
18901 E. 38th Ave.	East I-70/Montbello	133,848	New	Sprouts
26100-26120 E. 68th Ave.	East I-70/Montbello	94,813	New	Ceva Freight
4210 Carson St.	East I-70/Montbello	82,695	New	Luxe Holdings Group

Source: Colliers Analytics

Industrial Overview

EXISTING PROPERTIES			VACANCY				ACTIVITY	ABSORPTION		CONSTRUCTION			RENTS
SUBMARKET/ CLASS	BLDGS	TOTAL INVENTORY SF	DIRECT VACANCY RATE	SUBLEASE VACANCY RATE	VACANCY RATE CURRENT	VACANCY RATE PRIOR QTR	LEASING ACTIVITY SF	NET ABSORPTION CURRENT QTR SF	NET ABSORPTION YTD SF	DELIVERIES CURRENT QTR SF	DELIVERIES YTD SF	UNDER CONSTRUCTION SF	AVG RENTAL RATE (NNN)

AURORA

Industrial	28	641,418	0.0%	0.0%	0.0%	0.0%	-	0	0	-	-	-	\$10.00
Flex	48	1,931,368	7.8%	0.0%	7.8%	7.6%	-	(3,975)	13,017	-	-	50,000	\$8.77
Total	76	2,572,786	5.9%	0.0%	5.9%	5.7%	-	(3,975)	13,017	-	-	50,000	\$8.79

BOULDER

Industrial	286	10,610,676	5.3%	0.3%	5.6%	3.8%	69,246	73,909	96,239	278,355	278,355	331,029	\$11.67
Flex	229	10,036,766	5.4%	0.8%	6.1%	4.2%	53,263	(159,085)	(205,667)	37,231	37,231	26,000	\$15.42
Total	515	20,647,442	5.3%	0.6%	5.9%	4.0%	122,509	(85,176)	(109,428)	315,586	315,586	357,029	\$13.68

BROOMFIELD

Industrial	79	3,635,489	9.1%	0.6%	9.8%	10.3%	-	19,969	82,667	-	-	59,813	\$9.88
Flex	32	1,586,512	5.1%	1.5%	6.5%	6.1%	5,630	(6,826)	(2,475)	-	-	32,014	\$12.41
Total	111	5,222,001	7.9%	0.9%	8.8%	9.0%	5,630	13,143	80,192	-	-	91,827	\$10.19

CENTRAL

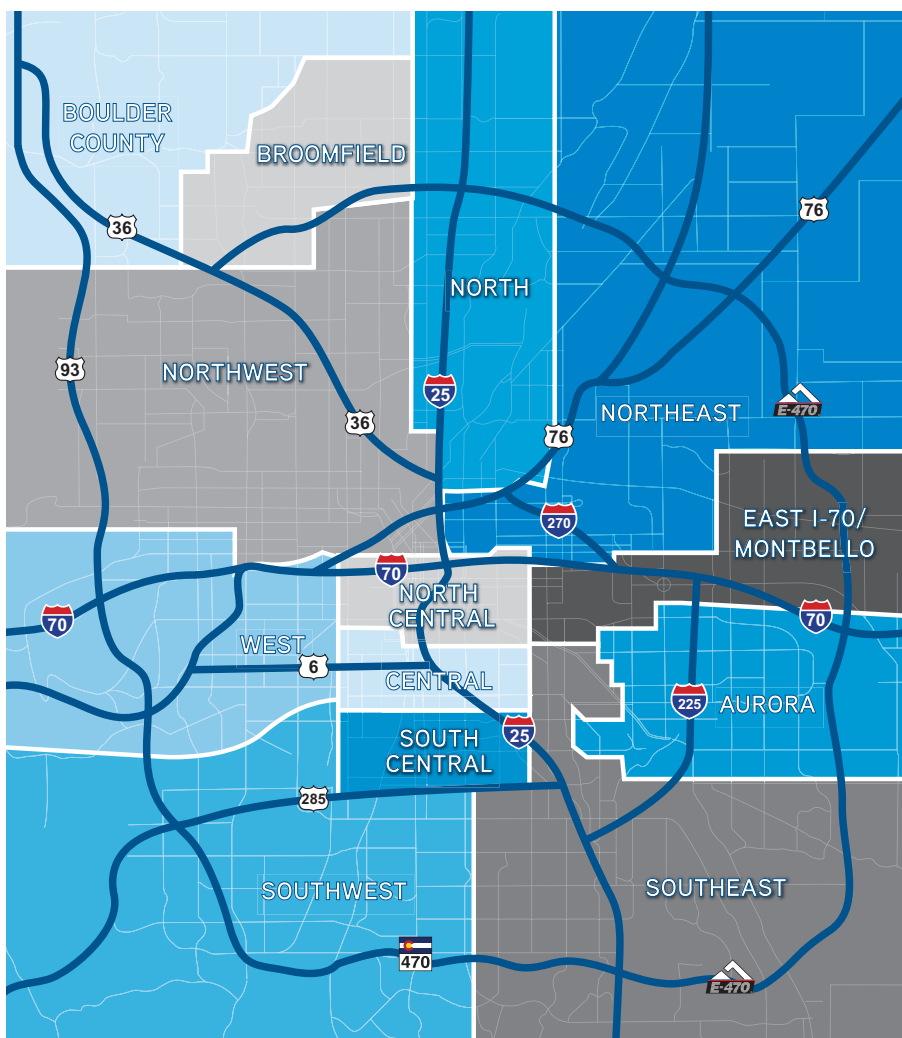
Industrial	303	10,841,486	4.0%	0.0%	4.0%	3.8%	15,496	(27,876)	77,957	-	-	-	\$10.31
Flex	12	373,655	7.2%	0.9%	8.0%	3.4%	-	(17,153)	0	-	-	-	\$20.68
Total	315	11,215,141	4.2%	0.0%	4.2%	3.8%	15,496	(45,029)	77,957	-	-	-	\$10.55

EAST I-70/MONTBELLO

Industrial	1,106	83,537,251	6.5%	1.2%	7.7%	7.8%	484,608	754,323	958,967	598,000	766,572	2,761,108	\$6.59
Flex	66	2,233,323	6.5%	0.0%	6.5%	7.0%	8,950	11,368	(5,559)	-	-	-	\$10.05
Total	1,172	85,770,574	6.5%	1.2%	7.7%	7.8%	493,558	765,691	953,408	598,000	766,572	2,761,108	\$6.65

EXISTING PROPERTIES			VACANCY				ACTIVITY	ABSORPTION		CONSTRUCTION			RENTS
SUBMARKET/ CLASS	BLDGS	TOTAL INVENTORY SF	DIRECT VACANCY RATE	SUBLEASE VACANCY RATE	VACANCY RATE CURRENT	VACANCY RATE PRIOR QTR	LEASING ACTIVITY SF	NET ABSORPTION CURRENT QTR SF	NET ABSORPTION YTD SF	DELIVERIES CURRENT QTR SF	DELIVERIES YTD SF	UNDER CONSTRUCTION SF	AVG RENTAL RATE (NNN)
LONGMONT													
Industrial	97	3,036,542	1.4%	0.5%	1.9%	1.4%	11,250	(15,590)	(19,259)	-	-	78,000	\$11.11
Flex	47	2,609,543	26.5%	1.2%	27.6%	27.9%	-	6,100	18,717	-	-	-	\$13.25
Total	144	5,646,085	13.0%	0.8%	13.8%	13.6%	11,250	(9,490)	(542)	-	-	78,000	\$12.42
NORTH CENTRAL													
Industrial	424	16,278,756	3.9%	0.2%	4.0%	3.6%	32,221	(63,965)	(123,580)	-	-	-	\$8.85
Flex	24	1,153,452	13.5%	0.0%	13.5%	17.0%	10,233	40,799	12,799	-	-	-	\$18.95
Total	448	17,432,208	4.5%	0.2%	4.7%	4.5%	42,454	(23,166)	(110,781)	-	-	-	\$11.28
NORTH													
Industrial	169	8,869,595	4.0%	0.1%	4.1%	4.6%	41,663	306,237	240,020	269,000	269,000	1,054,819	\$8.93
Flex	42	1,776,605	13.6%	0.6%	14.2%	17.4%	1,800	57,076	44,604	-	-	-	\$14.12
Total	211	10,646,200	5.6%	0.2%	5.8%	6.8%	43,463	363,313	284,624	269,000	269,000	1,054,819	\$9.60
NORTHEAST													
Industrial	437	20,428,018	6.5%	0.3%	6.8%	4.1%	96,601	(216,926)	(93,296)	352,240	352,240	1,182,976	\$10.21
Flex	35	1,017,260	0.6%	0.0%	0.6%	0.5%	5,590	(1,036)	(1,036)	-	-	-	\$16.40
Total	472	21,445,278	6.2%	0.3%	6.5%	4.8%	102,191	(217,962)	(94,332)	352,240	352,240	1,182,976	\$11.72
NORTHWEST													
Industrial	297	11,738,996	4.5%	0.3%	4.8%	4.3%	158,556	(58,932)	(64,919)	-	-	362,147	\$9.56
Flex	81	2,020,743	8.3%	0.0%	8.3%	4.5%	41,620	(76,649)	(109,359)	-	-	-	\$10.32
Total	378	13,759,739	5.1%	0.2%	5.3%	4.3%	200,176	(135,581)	(174,278)	-	-	362,147	\$9.73
SOUTH CENTRAL													
Industrial	408	10,659,835	2.7%	0.2%	2.9%	2.4%	73,596	(56,843)	(69,333)	-	16,496	-	\$8.10
Flex	26	597,905	6.2%	0.0%	6.2%	4.9%	11,098	(8,040)	(699)	-	-	-	\$9.60
Total	434	11,257,740	2.9%	0.2%	3.1%	2.5%	84,694	(64,883)	(70,032)	-	16,496	-	\$8.25
SOUTHEAST													
Industrial	258	11,296,025	8.7%	0.7%	9.5%	7.9%	26,897	145,880	145,880	363,711	363,711	752,227	\$9.90
Flex	256	8,788,071	4.3%	1.0%	5.3%	4.9%	76,278	(38,238)	(38,238)	-	-	188,300	\$11.14
Total	514	20,084,096	6.8%	0.9%	7.7%	6.6%	103,175	107,642	107,642	363,711	363,711	940,527	\$10.67
SOUTHWEST													
Industrial	194	6,206,647	1.1%	0.2%	1.2%	1.0%	2,936	(14,490)	(17,120)	-	-	-	\$11.86
Flex	115	3,997,635	7.6%	0.0%	7.6%	6.8%	22,307	(30,625)	(46,210)	-	-	-	\$10.94
Total	309	10,204,282	3.6%	0.1%	3.7%	3.3%	25,243	(45,115)	(63,330)	-	-	-	\$11.16
WELD COUNTY													
Industrial	529	19,720,458	3.6%	0.1%	3.7%	2.4%	36,885	(138,526)	(254,519)	84,790	120,065	886,042	\$12.16
Flex	70	2,326,633	5.6%	0.0%	5.6%	5.8%	19,638	3,000	27,500	-	30,000	-	\$10.60
Total	599	22,047,091	3.8%	0.1%	3.9%	2.8%	56,523	(135,526)	(227,019)	84,790	150,065	886,042	\$11.86
WEST													
Industrial	248	14,978,086	1.3%	0.1%	1.3%	1.2%	40,504	249,585	245,296	266,000	301,000	35,426	\$11.34
Flex	118	7,479,307	1.5%	0.0%	1.5%	1.3%	11,653	(10,354)	(22,186)	-	-	-	\$13.00
Total	366	22,457,393	1.3%	0.0%	1.4%	1.3%	52,157	239,231	223,110	266,000	301,000	35,426	\$11.93
MARKET TOTAL													
Industrial	4,863	232,479,278	5.1%	0.6%	5.7%	5.1%	1,090,459	956,755	1,205,000	2,212,096	2,467,439	7,503,587	\$8.37
Flex	1,201	47,928,778	6.6%	0.5%	7.1%	6.5%	268,060	(233,638)	(314,792)	37,231	67,231	296,314	\$13.10
Total	6,064	280,408,056	5.4%	0.6%	5.9%	5.4%	1,358,519	723,117	890,208	2,249,327	2,534,670	7,799,901	\$10.01
DENVER MARKET QUARTERLY COMPARISON AND TOTALS													
Q2 2020	6,064	280,408,056	5.4%	0.6%	5.9%	5.4%	1,358,519	723,117	890,208	2,249,327	2,534,670	7,799,901	\$10.01
Q1 2020	6,046	277,990,694	4.9%	0.5%	5.4%	5.4%	3,025,714	253,400	253,400	313,096	313,096	8,081,552	\$9.69
Q4 2019	6,039	277,845,633	5.1%	0.3%	5.4%	5.4%	4,837,178	828,016	4,295,138	879,413	7,653,664	6,542,707	\$9.47
Q3 2019	6,027	276,754,199	5.1%	0.3%	5.4%	5.0%	3,194,440	677,841	3,467,122	2,004,605	6,774,251	5,554,560	\$9.38
Q2 2019	6,007	274,888,418	4.7%	0.2%	5.0%	5.2%	3,502,237	1,398,941	2,789,281	810,066	3,718,186	6,072,556	\$8.92

Source: CoStar | Properties: 20,000 SF +



400 offices in
68 countries on
6 continents

United States: **109**

Canada: **43**

Latin America: **18**

Asia Pacific: **35**

EMEA: **85**

\$3.3

billion in
annual revenue

2.0

billion square feet
under management

17,300

professionals
and staff

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In the midst of the COVID-19 outbreak, information and data is emerging at a quick and uneven rate. The information contained herein has been obtained from sources deemed reliable at the time the report was written. While every reasonable effort has been made to ensure its accuracy, we cannot guarantee it. No responsibility is assumed for any inaccuracies. Readers are encouraged to consult their professional advisors prior to acting on any of the material contained in this report.

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